

ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

KGETLENGRIVIER LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

for

KGETLENGRIVIER LOCAL MUNICIPALITY

for the year ended 30 June: **2010**

Province:

North West

AFS rounding:

R (i.e. only cents)

Contact Information:	
Name of Municipal Manager:	S. K. Khote
Name of Chief Financial Officer:	S. Mofokeng
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Name of contact at provincial treasury:	
Contact telephone number:	
Contact e-mail address:	
Name of relevant Auditor:	Auditor General
Contact telephone number:	
Contact e-mail address:	
Name of contact at National Treasury:	
Contact telephone number:	
Contact e-mail address:	

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

General information

Members of the Council

Wilhemina D. Moleko
Esther Kgaboesele
Florence M. Manamela
Mamiki L. Molefe
Thushoeng G. Naledi
Makgomo J. Ditse
Matlhomola J. Toute
John D. Mkhabela
Petrus S. Robinson
Barend V. Z. Marias

Mayor / Speaker

Municipal Manager

S. K. Khote

Chief Financial Officer

S. K. Khote

Grading of Local Authority

2

Auditors

Auditor-General

Bankers

ABSA

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

General information (continued)

Registered Office:

Koster

Physical address:

Cnr Smuts & De Wet
Koster
0348

Postal address:

Kgetlengrivier Local Municipality
P O Box 66
Koster
0348

Telephone number:

(014) 543 2004

Fax number:

(014) 543 2005

E-mail address:

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 30, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr S K Khote
Municipal Manager:

28-Sep-10

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

INDEX	Page
Statement of Financial Position	1
Statement of Financial Performance	2
Statement of Changes in Net Assets	3
Cash Flow Statement	4
Accounting Policies	5-15
Notes to the Annual Financial Statements	16-30
Appendix A: Schedule of External Loans	31
Appendix B: Analysis of Property, Plant and Equipment	32
Appendix F: Segmental Statement of Financial Performance	33

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010			
	Note	2010 R	2009 R
ASSETS			
Current assets			
Inventories	2	1 478 233	1 820 769
Consumer debtors and other receivables	3	13 237 363	15 772 511
Other receivables	4	3 140 546	2 839 951
VAT receivable	6	-	96 768
Investments	9	293 728	243 651
Cash and cash equivalents	7	3 170 535	311 970
Non-current assets			
Property, plant and equipment	8	227 626 225	208 761 859
Receivables	5	13 903	13 903
Investments	9	18 912 171	16 139 602
Total assets		267 872 705	246 000 982
LIABILITIES			
Current liabilities			
Borrowings	10	6 744	5 780
Consumer deposits	11	1 276 586	1 234 502
Other liabilities	12	944 927	601 503
Unspent conditional grants and receipts	13	36 637 836	31 605 462
Trade and other payables	14	14 662 976	12 347 118
Bank overdraft	10	6 605 591	5 628 068
Non-current liabilities			
Borrowings	10	-	6 744
Total liabilities		60 134 660	51 429 178
Net assets		207 738 045	194 571 804
NET ASSETS			
Reserves		-	-
Accumulated surplus / (deficit)		207 738 045	194 571 804
Total net assets		207 738 045	194 571 804

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010			
	Note	2010 R	2009 R
Revenue			
Property rates	15	2 701 562	2 358 492
Service charges	16	22 630 615	20 101 155
Finance Income	17	9 656 073	10 411 236
Government grants and subsidies-operating	27	29 128 086	26 014 796
Government grants and subsidies- capital	27	12 258 308	12 121 351
Rental of facilities and equipment	19	64 747	43 633
Agency fees		2 899 103	-
Fines		3 580 379	171 076
Other Revenue		234 725	840 879
Total revenue		83 153 599	72 062 618
Expenses			
Employee related costs	20	24 333 047	19 465 831
Remuneration of councillors	21	1 655 263	1 632 762
Depreciation and amortisation expense	22	3 141 935	3 119 165
Agency fees		-	2 107 639
Bad debts		19 428 053	16 681 886
Finance costs	23	189 511	135 532
Collection costs		1 194 638	-
Repairs and maintenance		4 598 981	2 484 778
Bulk purchases	24	10 980 603	8 468 669
General expenses	25	16 187 058	19 321 483
Total expenses		81 709 089	73 417 745
Gain / (loss) on sale of assets	26	-	1 472 008
Surplus / (deficit) for the period		1 444 510	116 881

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010		
	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R
Balance at 30 June 2008	212 260 032	212 260 032
Changes in accounting policy: GRAP Implementation		-
Changes in accounting policy: Other		-
Correction of prior period error	(17 805 109)	(17 805 109)
Change in accounting estimate		-
Restated balance	194 454 923	194 454 923
Surplus / (deficit) for the period	116 881	116 881
Surplus / (deficit) on revaluation of property of property, plant and equipment		-
<i>Other items</i>		-
Net gains and losses not recognised in the statement of financial performance		-
Transfers to / from accumulated surplus/(deficit)		-
	-	-
Balance at 30 June 2009	194 571 804	194 571 804
		-
Surplus / (deficit) on revaluation of property of property, plant and equipment		-
Correction of prior period error	11 721 731	11 721 731
Net gains and losses not recognised in the statement of financial performance		-
Transfers to / from accumulated surplus/(deficit)		-
Surplus / (deficit) for the period	1 444 510	1 444 510
Balance at 30 June 2010	207 738 045	207 738 045

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CASH FLOW STATEMENT AS AT 30 JUNE 2010

	Note	R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		96 333 677	88 825 994
Cash paid to suppliers and employees		(78 860 296)	(107 544 400)
Cash generated from operations	27	17 473 380	(18 718 406)
Finance Income		9 656 073	10 411 236
Finance costs		(189 511)	(135 532)
Dividends		-	-
Net cash flows from operating activities		26 939 943	(8 442 702)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of PPE and other assets		(22 230 474)	(7 494 067)
Borrowing costs capitalised		-	-
Proceeds from disposal of PPE and other assets		-	1 472 008
Proceeds from sale of investments		(2 822 647)	3 254 162
Purchase of foreign currency securities		-	-
Net cash flows from investing activities		(25 053 120)	(2 767 897)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		(5 780)	(708)
Repayment of borrowings		-	-
Repayment of finance lease liability		-	-
Net cash flows from financing activities		(5 780)	(708)
Net increase / (decrease) in net cash and cash equivalents		1 881 042	(11 211 308)
Net cash and cash equivalents at beginning of period		(5 316 098)	5 895 210
Net cash and cash equivalents at end of period	28	(3 435 056)	(5 316 098)

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

ISSUED BUT NOT YET EFFECTIVE	STANDARD APPLIED
GRAP 18 Segment Reporting	No applicable
GRAP 21 Impairment of non-cash-generating assets	IAS 36
GRAP 23 Revenue from Non-Exchange Transactions	GAMAP 9
GRAP 24 Presentation of Budget Information in Financial	Applied
GRAP 25 Employee Benefits	IAS 19
GRAP 26 Impairment of cash generating assets	IAS 36
GRAP 103 Heritage Assets	Not applicable

1.6 RESERVES

1.6.1 Revaluation Reserve

(If Realised through use)

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

(If Realised on disposal)

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised on the disposal of the property, plant and equipment. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.6.2 Mark-to-Market Reserve

Gains and losses arising from available-for-sale financial assets are recognised in equity and not the statement of financial performance except for impairment losses and foreign exchange gains and losses until the asset is derecognised. On derecognition the cumulative gains or losses previously recognised in equity shall be transferred to the statement of financial performance as a reclassification adjustment. Gains and losses from interest calculated using the effective interest method, as well as dividends from available-for-sale equity instruments are excluded from these gains and losses.

1.7 PROPERTY, PLANT AND EQUIPMENT

1.7.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Including import duties and non-refundable taxes.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.7.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses in respect of buildings only.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.7.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.7 PROPERTY, PLANT AND EQUIPMENT (cont)

1.7.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure
Roads and Paving

Pedestrian Malls

Electricity

Water

Sewerage

Community

Buildings

Recreational Facilities

Security
Halls

Libraries

Parks and gardens
Other assets

Heritage assets
Buildings
Paintings and artifacts

Finance lease assets
Office equipment
Other assets

Other
Buildings
Specialist
vehicles
Other
vehicles
Office
equipment
Furniture
and fittings
Watercraft
Bins and
containers
Specialised
plant and
equipment

Other items
of plant and
equipment
Landfill
sites
Quarries
Emergency
equipment
Computer
equipment
Other
Other
Other
Other

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance. (Impairment loss of a revalued asset is treated as a revaluation decrease).

1.7.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.7.6 COMPENSATION FOR IMPAIRMENT for items of PPE that were impaired, lost or given up shall be included in surplus or deficit when the compensation becomes receivable.

The municipality has taken advantage of the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP on PPE GRAP 17, to comply fully with this standard..

1.8 INTANGIBLE ASSETS

1.8.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.8.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

1.8.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software
Licence

Each item of intangible asset is amortised separately.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.8.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 INVESTMENT PROPERTY

1.9.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held (by the owner or lessee under a finance lease) to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

1.9.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property

1.9.3 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Property held by a lessee under an operating lease that qualifies as Investment property is always accounted for in fair value mode. *The municipality has taken advantage of the transitional provisions in Directive 4, on initial adoption of the standard of GRAP on Investment Property, GRAP 16, to comply fully with this standard..*

1.10 NON-CURRENT ASSETS HELD FOR SALE

1.10.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.10.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.11 INVENTORIES

1.11.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.11 INVENTORIES(cont)

1.11.2.SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

The municipality has taken advantage of the transitional provisions in Directive 4, on initial adoption of the standard of GRAP on Investment Property, GRAP 12, to comply fully with this standard..

1.12 FINANCIAL INSTRUMENTS

1.12.1 INITIAL RECOGNITION

Financial instruments are initially measured at fair value, plus,(in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

1.12.2 SUBSEQUENT MEASUREMENT

1.12.2.1 INVESTMENTS

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

The Entity classifies its financial assets into the following categories:

- held-to-maturity;
- loans and receivables;
- available-for-sale; and
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the Entity has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Available-for-sale financial assets are financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position date, except for investments in equity instruments that do not have quoted market prices in an active market, and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Changes in Net Assets in the period in which it arises. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the Statement of Financial Position date.
- Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

1.12 FINANCIAL INSTRUMENTS (cont)

1.13.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.12.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.12.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.12.3 IMPAIRMENT

• An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.13 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The municipality has complied with the transitional provisions in Directive 4 , on initial adoption of the standard of GRAP on Provisions,Contingent Liabilities and Contingent Assets, GRAP 19, in order to comply fully with this standard..

1.14 LEASES

1.14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. The aggregate benefit of incentives of Operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

1.14.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.15 REVENUE

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.15.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

Sale of goods

Revenue from the sale of goods is recognised when substantially all the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from the sale of even is recognised when all conditions associated with the deed of sale have been met.

Interest, royalties and dividends

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

1.15 REVENUE(cont)

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Public donations and contributions

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Deferred income relating to government grants are recognised on the following bases:

- Capital contributions to property, plant and equipment: Credited on a systematic basis to the Statement of financial Performance based on the estimated useful life of the plant and equipment.
- Income-related grants subsidising expenses: Credited to the Statement of Financial Performance as revenue when the related expense is recognised

Contributed property, plant and equipment is recognised at fair value, when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.15 REVENUE(cont)

1.15.3 GOVERNMENT GRANTS, TRANSFERS AND DONATIONS

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

1.16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.17 EMPLOYEE BENEFITS

1.17.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.17.2 Termination Benefits

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.17.3 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

Past service costs are recognised immediately where the benefit is vested or are amortised on a straight-line basis over the average period that it will take for such benefits to become vested.

The retirement benefit obligations recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses, unrecognised service cost and the fair value of plan assets. Where an asset results, such asset is limited to unrecognised actuarial losses, past service costs and the present value of available refunds and reductions in future contributions to the plan.

Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

1.18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 VALUE ADDED TAX (VAT)

The municipality accounts for Value Added Tax on the payments basis

1.23 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
Present value of defined benefit obligation
Fair value of plan assets
Provision for doubtful debts
Impairment of assets
Provision for long-term service award
Other

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets
Provisions
Other

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		R	R
2 INVENTORIES			
Electrical equipment		1 188 854	1 096 262
Water		248 144	658 364
Spare parts – at net realisable value			
Other		41 234	66 143
		<u>1 478 233</u>	<u>1 820 769</u>
3 CONSUMER AND OTHER RECEIVABLES			
	Gross Balances	Impaired debtors written off	Net Balance
	R'000	R'000	R'000
<u>Consumer Debtors</u>			
Current Fin YR			
Rates	7 154 971	6 272 876	882 095
Electricity	8 854 011	7 766 418	1 087 593
Water	25 584 765	22 436 319	3 148 446
Sewerage	15 816 695	13 873 345	1 943 350
Refuse	10 058 482	8 820 194	1 238 288
VAT	854	-	854
Other	28 742 137	23 805 398	4 936 739
Total	96 211 913	82 974 550	13 237 363
Comparative Fin YR			
Rates	6 584 035	5 306 132	1 277 903
Electricity	7 416 776	5 973 371	1 443 405
Water	22 264 015	17 932 821	4 331 194
Sewerage	14 408 072	11 603 590	2 804 482
Refuse	9 145 579	7 365 039	1 780 540
VAT	-	-	-
Other	19 500 531	15 365 544	4 134 987
Total	79 319 008	63 546 497	15 772 511
<u>Other receivables</u>			
Other receivables			
<u>Rates: Ageing</u>			
Current (0 – 30 days)		170 965	(46 371)
31 - 60 Days		120 307	198 738
61 - 90 Days		92 896	104 269
91 - 120 Days		80 593	6 327 399
121 Days +		6 690 209	
Total		7 154 971	6 584 035
<u>Electricity, Refuse, Water and Sewerage: Ageing</u>			
Current (0 – 30 days)		84 182	(686 183)
31 - 60 Days		3 863 445	2 871 364
61 - 90 Days		2 161 007	1 988 632
91 - 120 Days		1 783 975	68 130 565
121 Days +		79 561 373	
Total		87 453 982	72 304 379

Reconciliation of the impairment provision

Balance at beginning of the year	63 546 497	46 864 611
Contributions to provision	19 428 053	16 681 886
Impaired debtors written off against provision	-	-
Reversal of provision	-	-
Balance at end of year	82 974 550	63 546 497

4 OTHER RECEIVABLES

Drivers Licences	300 000	287 120
Deposits	1 010 423	1 010 013
Unidentified deposits	921 363	
Other debtors	908 760	1 542 819
Total Other Debtors	3 140 546	2 839 951

5 RECEIVABLES

Car loans	-	-
Study loans	13 903	13 903
Housing selling scheme loans	-	-
Other non-current receivables	-	-
Total	13 903	13 903

6 VAT PAYABLE / RECEIVABLE

VAT payable/receivable	-	96 768
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash at bank	-	-
Call Investments	3 165 215	306 650
Cash on hand	5 320	5 320
	3 170 535	311 970

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Account Number 17-0000-0032 (ABSA)

Cash book balance at end of year	(6 605 591)	(5 628 068)
Bank statement balance at beginning of year	1 840 791	5 893 717
Bank statement balance at end of year	2 219 278	1 840 791

Short Term Call Accounts**Call Account**

Account Number 40-6946-5550 (ABSA)

Bank statement balance at beginning of year	1 554 021	
Bank statement balance at end of year	2 360 000	1 554 021

Call Account

Account Number 40-7406-9020 (ABSA)

Bank statement balance at beginning of year	-	
Bank statement balance at end of year	2 858 424	-

Call Account

Account Number 40-7406-9151 (ABSA)

Bank statement balance at beginning of year	-	
Bank statement balance at end of year	50 578	-

Cash on hand

	5 320	5 320
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Total cash and cash equivalents	(1 331 269)	(4 068 727)
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Total bank overdraft	(6 605 591)	(5 628 068)
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Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from day to day.

Management of the municipality is of the opinion that the carrying value of the Bank Balance and Cash recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Bank Balance and Cash were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

8 PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS:

8.1 Reconciliation of Carrying Value 30 June 2010	Land R	Buildings R	Infrastructure R	Community R	Heritage R	Other Assets R	Total R
Carrying values at beginning of the year	5 056 915.52	-	174 852 122.32	-	-	28 852 821.32	208 761 859.17
Cost/Revaluation	8 363 773.36	-	180 132 395.42	-	-	29 866 381.28	218 362 550.06
Accumulated depreciation and impairment losses	(3 306 857.84)	-	(5 280 273.10)	-	-	(1 013 559.96)	(9 600 690.89)
	-	-	24 905 406.33	-	-	691 174.55	25 596 580.88
Acquisitions	-	-	-	-	-	131 907.97	131 907.97
Capital under Construction	-	-	22 098 565.60	-	-	-	22 098 565.60
Depreciation	-	-	(2 806 840.73)	-	-	(559 266.58)	(3 366 107.31)
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-
Carrying values at the end of the year	5 056 915.52	-	194 143 847.19	-	-	28 425 462.71	227 626 225.43
Cost/Revaluation	8 363 773.36	-	202 230 961.02	-	-	29 988 289.25	240 593 023.63
Accumulated depreciation and impairment losses	(3 306 857.84)	-	(8 087 113.83)	-	-	(1 572 826.54)	(12 966 798.20)

Refer to Appendix B for more detail on property, plant and equipment

8.1 Reconciliation of Carrying Value 30 June 2009	Land R	Buildings R	Infrastructure R	Community R	Heritage R	Other Assets R	Total R
Carrying values at beginning of the year	8 176 080.97	-	168 458 122.32	-	-	27 752 754.36	204 386 957.66
Cost/Revaluation	8 363 773.36	-	173 738 395.42	-	-	28 766 314.32	210 868 483.10
Accumulated depreciation and impairment losses	(187 692.39)	-	(5 280 273.10)	-	-	(1 013 559.96)	(6 481 525.44)
	3 119 165.45	-	-	-	-	-	-
Acquisitions	-	-	6 394 000.00	-	-	1 100 066.96	7 494 066.96
Capital under Construction	-	-	-	-	-	-	-
Depreciation	(3 119 165.45)	-	-	-	-	-	(3 119 165.45)
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-
Carrying values at the end of the year	5 053 798.32	-	174 852 122.32	-	-	28 852 821.32	208 761 859.17
Cost/Revaluation	8 363 773.36	-	180 132 395.42	-	-	29 866 381.28	218 362 550.06
Accumulated depreciation and impairment losses	(3 306 857.84)	-	(5 280 273.10)	-	-	(1 013 559.96)	(9 600 690.89)

Refer to Appendix B for more detail on property, plant and equipment

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		R	R
9 INVESTMENTS			
<u>Held to maturity Investments</u>			
Fixed Deposits		17 546 350	14 834 394
Less: Short term portion		293 728	243 651
		<u>17 252 621</u>	<u>14 590 743</u>
 <u>Available for sale Investment</u>		 1 659 550	 1 548 859
Listed Investments		<u>1 659 550</u>	<u>1 548 859</u>
 10 BORROWINGS			
 Annuity Loans		 6 744	 12 525
		6 744	12 525
 Less : Current portion transferred to current liabilities		 6 744	 5 780
Annuity Loans		6 744	5 780
 Longterm Borrowings		 -	 6 744
 11 CONSUMER DEPOSITS			
 Water and electricity		 1 276 586	 1 234 502
Total consumer deposits		<u>1 276 586</u>	<u>1 234 502</u>
 No interest is paid on consumer deposits.			
 12 OTHER FINANCIAL LIABILITIES			
12.1 OTHER NON-CURRENT FINANCIAL LIABILITIES			
Other non-current financial liabilities		-	-
12.2 OTHER CURRENT FINANCIAL LIABILITIES			
Other current financial liabilities		944 927	601 503

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		R	R
13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
13.1 Unspent Conditional Government Grants-Capital		38 031 488	32 604 304
MIG		33 393 069	24 000 146
DBSA		-	-
BPDM		1 393 662	1 238 305
DMEA		1 775 962	4 773 731
PROIG		980 160	2 348 406
Library Grant		324 212	69 730
Anglo-Boer Monument Grant		72 771	72 771
Kaffers Kraal Grant		40	-
RDP Grant		91 613	101 216
Other			
13.2 Unspent Conditional Government Grants-Operating		(1 393 652)	(998 842)
MSIG		(1 393 652)	(998 842)
FMG		-	-
Total Unspent Conditional Grants and Receipts		36 637 836	31 605 462

See Note 18 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

14 TRADE AND OTHER PAYABLES

Trade creditors	1 861 876	4 544 294
Payments received in advance	270 482	216 991
Retentions	2 776 740	-
Staff leave accrual	1 650 639	1 102 414
VAT liability provision (payment basis)	8 103 239	6 483 419
Other creditors	-	-
Total creditors	14 662 976	12 347 118

15 PROPERTY RATES

Actual		
Residential	1 562 905	2 358 492
Commercial	1 017 251	-
State	58 798	-
Agriculture	62 608	-
	-	-
Total property rates	2 701 562	2 358 492
Property rates - penalties imposed and collection charges	-	-
Total	2 701 562	2 358 492

Valuations

Residential	12 345 626	9 014
Commercial	4 131 350	
State	545 700	
Agriculture	780 500	
Total Property Valuations	17 803 176	9 014

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

Various rates apply for the different categories which are applied to property valuations to determine assessment rates. Rebates of 20% are granted to state properties. Rates are levied on a monthly basis on property owners.

Interest on overdue accounts is charged at prime plus 1% and is adjusted as and when the prime rate is changed by the reserve bank.

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		R	R
16 SERVICE CHARGES			
Sale of electricity		13 760 510	11 477 766
Sale of water		5 348 212	5 208 195
Refuse removal		1 404 602	
Sewerage and sanitation charges		2 117 290	3 415 193
Total Service Charges		22 630 615	20 101 155
17 FINANCE INCOME			
Cash and cash equivalent		774 330	1 229 217
Outstanding consumer debtors		8 881 743	9 182 019
Discounting		-	-
Total interest		9 656 073	10 411 236
18 GOVERNMENT GRANTS AND SUBSIDIES			
Operating Grants		29 128 086	26 014 796
Equitable share		25 131 405	19 866 144
FMG Grant		2 750 000	1 500 000
MSIG Grant		1 129 810	4 648 652
LG Seta		116 871	-
Capital Grants		12 258 308	12 121 351
MIG		2 547 569	6 394 000
DBSA		-	1 000 000
BPDM		194 643	986 002
DMEA		2 997 769	226 269
PROIG		6 368 246	3 284 810
Library Grant		45 518	230 270
Anglo-Boer Monument Grant		-	-
KKG Erven		94 960	-
RDP Grant		9 603	-
Total Government Grant and Subsidies		41 386 394	38 136 147
18.1 Equitable Share			
18.2 MIG			
Balance unspent at the beginning of the year		(24 000 146)	(24 000 146)
Current year receipts		(11 959 000)	(6 394 000)
Conditions met-transferred to revenue		2 547 569	6 394 000
Conditions still to be met-transferred to liabilities		(33 411 577)	(24 000 146)
18.3 DBSA			
Balance unspent at the beginning of the year		-	-
Current year receipts		-	(1 000 000)
Conditions met-transferred to revenue		-	1 000 000
Conditions still to be met-transferred to liabilities		-	-
18.4 BPDM			
Balance unspent at the beginning of the year		(1 238 305)	(869 307)
Current year receipts		(350 000)	(1 355 000)
Conditions met-transferred to revenue		194 643	986 002
Conditions still to be met-transferred to liabilities		(1 393 662)	(1 238 305)
18.5 MSIG			
Balance unspent at the beginning of the year		998 842	(1 129 810)
Current year receipts		(735 000)	(2 520 000)
Conditions met-transferred to revenue		1 129 810	4 648 652
Conditions still to be met-transferred to liabilities		1 393 652	998 842
18.6 FMG			
Balance unspent at the beginning of the year		-	-
Current year receipts		(2 750 000)	(1 500 000)
Conditions met-transferred to revenue		2 750 000	1 500 000
Conditions still to be met-transferred to liabilities		-	-

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		R	R
18 GOVERNMENT GRANTS AND SUBSIDIES(Continued)			
18.7 DME Grant			
Balance unspent at the beginning of the year		(4 773 731)	-
Current year receipts		-	(5 000 000)
Conditions met-transferred to revenue		2 997 769	226 269
Conditions still to be met-transferred to liabilities		(1 775 962)	(4 773 731)
18.8 Provincial Grant (PROIG)			
Balance unspent at the beginning of the year		(2 348 406)	(633 216)
Current year receipts		(5 000 000)	(5 000 000)
Conditions met-transferred to revenue		6 368 246	3 284 810
Conditions still to be met-transferred to liabilities		(980 160)	(2 348 406)
18.9 Library Grant			
Balance unspent at the beginning of the year		(69 730)	-
Current year receipts		(300 000)	(300 000)
Conditions met-transferred to revenue		45 518	230 270
Conditions still to be met-transferred to liabilities		(324 212)	(69 730)
18.10 Anglo-Boer War Monument Grant			
Balance unspent at the beginning of the year		(72 771)	(72 771)
Current year receipts		-	-
Conditions met-transferred to revenue		-	-
Conditions still to be met-transferred to liabilities		(72 771)	(72 771)
18.11 Kaffers Kraal Grant			
Balance unspent at the beginning of the year		-	-
Current year receipts		(95 000)	-
Conditions met-transferred to revenue		94 960	-
Conditions still to be met-transferred to liabilities		(40)	-
18.12 RDP Grant			
Balance unspent at the beginning of the year		(101 216)	(101 216)
Current year receipts		-	-
Conditions met-transferred to revenue		9 603	-
Conditions still to be met-transferred to liabilities		(91 613)	(101 216)

Based on the allocations set out in the Division of Revenue Act), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

19 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	64 747	43 633
Total rentals	64 747	43 633

20 EMPLOYEE RELATED COSTS

Employee related cost - Salaries and wages	16 239 306	17 177 155
Employee related cost - Social contributions	3 963 681	2 033 197
Travel, motor car, accommodation & other allowances	1 998 781	255 479
Housing benefits and allowances	123 362	-
Overtime benefits	25 172	-
Leave provision	1 982 745	-
Long-service awards	-	-
Other employee related costs	-	-
Total Employee Related Costs	24 333 047	19 465 831

There were no advances to employees

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
20 EMPLOYEE RELATED COSTS(cont)			
Remuneration of the Municipal Manager			
Annual Remuneration		515 157	449 864
Performance- and other bonuses		-	-
Travel, motor car, accommodation, subsistence and other allowances		262 369	72 480
Contributions to UIF, Medical and Pension Funds		1 497	1 262
Total		779 023	523 606
Remuneration of the Chief Finance Officer			
Annual Remuneration		243 378	279 000
Performance- and other bonuses		-	-
Travel, motor car, accommodation, subsistence and other allowances		51 262	161 000
Contributions to UIF, Medical and Pension Funds		374	1 539
Total		295 014	441 539
Remuneration of Individual Executive Directors			
	Technical Services R'000	Corporate Services R'000	Community Services R'000
2010			
Annual Remuneration	86 409	398 560	369 949
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	32 808	100 944	78 648
Contributions to UIF, Medical and Pension Funds	374	-	-
Total	119 591	499 504	448 597
2009			
Annual Remuneration	176 736	100 500	319 500
Performance- and other bonuses	14 728	-	-
Travel, motor car, accommodation, subsistence and other allowances	230 988	9 500	146 174
Contributions to UIF, Medical and Pension Funds	24 281	374	1 539
Total	446 733	110 374	467 213
No performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act.			
21 REMUNERATION OF COUNCILLORS			
Mayor		404 507	501 671
Councillors		1 250 756	1 131 091
Total Councillors' Remuneration		1 655 263	1 632 762
In-kind Benefits			
The Mayor is full time and is provided with an office and secretarial support at the cost of Council.			
22 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		3 141 935	3 119 165
Total Depreciation and Amortisation		3 141 935	3 119 165
23 FINANCE COSTS			
Bank overdrafts		189 511	135 532
Total Finance Costs		189 511	135 532
24 BULK PURCHASES			
Electricity		10 328 764	8 237 269
Water		651 839	231 400
Total Bulk Purchases		10 980 603	8 468 669

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		R	R
25 GENERAL EXPENSES			
Included in general expenses are the following:-			
ADVERTISEMENTS, PRINTING &		729 194	436 928
AUDIT FEES		570 754	907 068
CHEMICALS		503 088	519 162
COMPUTER SUPPORT - CONTRACT		62 254	41 596
ENTERTAINMENT COSTS		251 633	122 365
FUEL & OIL		1 413 467	1 093 212
INSURANCE		279 248	298 771
LEGAL FEES		792 954	83 341
MEMBERSHIP FEES		139 256	110 703
PHOTO COPIER MAINTENANCE CO		222 763	165 946
PLANT AND EQUIPMENTS		-	1 012 136
PROFESSIONAL FEES		3 233 803	4 042 638
RENT OF EQUIPMENT		1 018 603	187 486
REVENUE ENHANCEMENT: METER		-	1 765 212
TELEPHONE & FAX		469 724	680 606
TRAINING		193 567	193 359
TRAVELLING AND ACCOMODATION		398 620	586 409
VALUATION CERTIFICATE		246 431	520 141
OTHER		1 880 197	3 626 779
Licence fees - computers		3 781 503	2 927 624
		16 187 058	19 321 483
26 GAIN / (LOSS) ON DISPOSAL OF ASSETS			
Property, plant and equipment		-	1 472 008
Intangible assets		-	-
Investment property		-	-
Other financial assets		-	-
Total Gain / (Loss) on Disposal of Assets		-	1 472 008

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
27 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		1 444 510	116 881
Adjustment for:-			
Non-cash items:		-	-
(Gain) / loss on sale of assets		-	(1 472 008)
Contribution to provisions - non-current		-	-
Contribution to provisions - current		-	-
Depreciation and amortisation		3 141 935	3 119 165
Fair value adjustments		-	-
Impairment loss / (reversal of impairment loss)		-	-
Cash items			
Finance costs		189 511	135 532
Finance Income		(9 656 073)	(10 411 236)
Dividends received		-	-
Operating surplus before working capital changes:		(4 880 117)	(8 511 666)
(Increase)/decrease in inventories		342 536	146 462
(Increase)/decrease in trade receivables		(17 193 501)	(23 802 739)
(Increase)/decrease in VAT receivable		96 768	(96 768)
Increase/(decrease) in conditional grants and receipts		31 526 212	5 996 635
Increase/(decrease) in trade payables		2 659 282	(1 101 097)
Increase/(decrease) in consumer deposits		42 084	139 099
Other asset			
Other liability			
Cash generated by/(utilised in) operations		17 473 380	(18 718 406)

28 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	3 170 535	311 970
Bank overdrafts	(6 605 591)	(5 628 068)
Net cash and cash equivalents (net of bank overdrafts)	(3 435 056)	(5 316 098)

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

29 DISALLOWED

29.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -		
Fruitless and wasteful expenditure current year		20 207
Condoned or written off by Council		
Fruitless and wasteful expenditure awaiting condonement	-	20 207

Incident	Disciplinary steps/criminal proceedings
SARS summoned the Municipality to account for an unidentified deposit including interest and penalties amounting to R20,207.27	

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		R	R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE			
30 MANAGEMENT ACT			
30.1 Contributions to organised local government			
Opening balance		-	-
Council subscriptions		107 278	108 027
Amount paid - current		(107 278)	(108 027)
Amount paid - previous years		-	-
Balance unpaid (included in payables)		-	-
30.2 Audit fees			
Opening balance		774 678	567 219
Current year audit fee		212 864	774 678
Amount paid - current year		(570 754)	(567 219)
Amount paid - previous years		-	-
Balance unpaid (included in payables)		416 788	774 678
30.3 VAT			
VAT input receivables and VAT output payables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.		5 611 788	6 483 419
30.4 PAYE and UIF			
Opening balance		-	-
Current year payroll deductions		2 285 117	1 797 788
Amount paid - current year		(2 285 117)	(1 797 788)
Amount paid - previous years		-	-
Balance unpaid (included in payables)		-	-
30.5 Pension and Medical Aid Deductions			
Opening balance		-	-
Current year payroll deductions and Council Contributions		5 933 166	5 005 823
Amount paid - current year		(5 933 166)	(5 005 823)
Amount paid - previous years		-	-
Balance unpaid (included in payables)		-	0
30.6 Councillor's arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at: -	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R'000	R'000	R'000
Curr Fin Yr			
Councillor W Moleko	862		862
Councillor T G Naledi	4 000		4 000
Councillor J Mkhabela	3 202		3 202
Councillor J D Mkhabela	19 066		19 066
Total Councillor Arrear Consumer Accounts	27 130	-	27 130
During the year the following Councillors had arrear accounts outstanding for more than 90 days.			
31 Deviations from Supply Chain Policy			
Refer to Appendix F			
			-

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

APPENDIX A
SCHEDULE OF EXTERNAL LOANS

External Loans	Loan No. Redeemable	Balance at 30 June 2009	Interest paid during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2010
		R	R	R	R	R
LONG TERM LOANS						
Lening Kosterdam@16.05%		12 525			5 780	6 744
Stock Loan@ %						-
		12 525			5 780	6 744
ANNUITY LOAN						
ANNUITY LOAN @ %						-
		-			-	-
Total External Loans		12 525	-	-	5 780	6 744

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT

	HISTORICAL COST					ACCUMULATED DEPRECIATION						
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Impairment losses	Closing Balance	Carrying Value	Budget Additions
	R	R	R	R	R	R	R	R		R	R	R
INFRASTRUCTURE	47 694 815	7 470 863	19 656 336	-	74 822 014	-7 898 201	-2 806 841	-		-10 705 042	64 116 972	-
Roads, pavements, bridges & stormwater	9 517 015	25 734			9 542 749	-1 339 810				-1 339 810	8 202 938	
Water reservoirs & reticulation	16 429 823	7 282 198	16 164 717		39 876 738	-2 936 976	-1 225 528			-4 162 504	35 714 234	
Car parks, bus terminals & taxi ranks					-					-	-	
Electricity reticulation	13 711 765	93 978	3 491 619		17 297 362	-2 784 310	-685 719			-3 470 028	13 827 333	
Sewerage purification & reticulation	8 036 213	68 952			8 105 166	-837 106	-895 594			-1 732 700	6 372 466	
Housing					-					-	-	
Street lighting					-					-	-	
Refuse sites					-					-	-	
Other (town planning & development)					-					-	-	
COMMUNITY ASSETS	1 751 103	-	2 442 230	-	4 193 333	-195 273	-52 364	-		-247 637	3 945 696	-
Establishment of parks & gardens					-					-	-	
Sports fields	1 570 930				1 570 930	-161 456	-52 364			-213 821	1 357 109	
Community halls	180 173				180 173	-33 816				-33 816	146 357	
Libraries					-					-	-	
Recreational facilities					-					-	-	
Clinics					-					-	-	
Museums & art galleries					-					-	-	
Other (fire services & cemeteries)			2 442 230		2 442 230					-	2 442 230	

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT

	HISTORICAL COST					ACCUMULATED DEPRECIATION						
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Impairment losses	Closing Balance	Carrying Value	Budget Additions
	R	R	R	R	R	R	R	R		R	R	R
OTHER ASSETS	161 319 521	258 156	-	-	161 577 678	-1 507 217	-506 902	-		-2 014 119	159 563 558	-
Other motor vehicles	1 300 652				1 300 652	-106 597				-106 597	1 194 055	
Plant & equipment	906 422				906 422	-337 517				-337 517	568 905	
Office equipment	121 960	255 039			376 999	-568 232				-568 232	-191 233	
Abattoirs					-					-	-	
Security measures (including fencing)	5 235				5 235	-2 181				-2 181	3 054	
Civic land & buildings	402 610				402 610	-27 959				-27 959	374 651	
Other land & buildings	69 994	3 117			73 112	-6 128				-6 128	66 984	
Other (including IT)	158 512 648				158 512 648	-458 602	-506 902			-965 505	157 547 143	
LEASED ASSETS												
SPECIALISED VEHICLES	-	-	-	-	-	-	-	-	-	-	-	-
Refuse												
Fire												
TOTAL	210 765 439	7 729 019	22 098 566	-	240 593 024	-9 600 691	-3 366 107	-		-12 966 798	227 626 226	-

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Appendix F
DEVIATIONS FROM SUPPLY CHAIN

	Deviation			
	Date	Service Provider	Amount	Reason for deviation
1	21-May-10	Akwaaba Lodge	17 700.00	Closest Conference centre urgently required to complete SDBIP
2	21-May-10	Badiri Ba Setso	194 883.00	Development of Draft SDBIP and performance plans for 2010 - 11 were required for the finalisation of the IDP and Budget to ensure alignment and compliance
3	03-Jun-10	Kori & Associates	138 966.00	Development of organisational structures and delegation of powers policy to enable management to implement the budget and execution of daily functions
4	15-Jun-10	C. Sonke Investments	68 000.00	No capacity in the Municipality to evaluate insurance tenders. Appointment was supposed to be before 01 July 2010 to ensure that all municipal assets are insured against losses
5	24-Jun-10	WW Engineering	53 421.54	Water shortage in Koster and Swartruggens due to malfunctioning pum station - Repairs were done under emergency